

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Debtors

Case No. 04-40416-NCD
Case No. 04-40462-NCD
Case No. 04-40418-NCD
Case Nos. 04-41924 – 04-41988-NCD

**NOTICE OF HEARING AND MOTION FOR ORDER GRANTING EXPEDITED
HEARING AND AUTHORIZING DEBTOR INTREPID USA, INC. TO
ENTER INTO INSURANCE CONTRACTS AND INSURANCE
PREMIUM FINANCE AGREEMENT**

TO: To the parties-in-interest as identified by Local Rule 9013-3(a)(2).

1. Intrepid U.S.A., Inc. and its affiliated entities in the cases referenced above (the “Debtors”), move the Court for the relief requested below and give notice of a hearing.

2. The Court will hold a hearing on this motion on September 30, 2004, at 2:30 p.m. or as soon thereafter as counsel can be heard, in Courtroom No. 7 West of the United States Courthouse at 300 South Fourth Street, Minneapolis, Minnesota 55415.

3. Local Rule 9006-1(b) provides responsive deadlines to this motion. However, given the expedited relief sought, Debtors will not object to the timeliness of responses provided they are delivered and filed before the time set for the hearing. **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.**

4. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334, Fed. R. Bankr. P. 5005 and Local Rule 1070-1. This proceeding is a core proceeding. The petitions commencing these Chapter 11 cases were filed on January 29, 2004 and April 12, 2004 (“Petition Dates”). These cases are now pending in this Court.

5. This motion arises under 11 U.S.C. §§ 363(b)(1) and 364(c)(2). This motion is filed under Fed. R. Bankr. P. 2002(a), 4001(c), 9006, and 9014 and Local Rules 9006-1(d), 9013-1 through 9013-3. Debtors request an order of this Court granting an expedited hearing on this motion and authorizing Debtors to enter into insurance contracts providing for general commercial liability, professional liability, umbrella, automobile, property and crime coverages and an insurance premium finance agreement. The grounds for this motion are set forth below.

BACKGROUND

6. The Debtors continue to operate their business as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code. The Court has ordered, for procedural purposes only, joint administration of the Chapter 11 cases.

7. Intrepid U.S.A., Inc. is the parent company who collectively with its direct and indirect subsidiaries or affiliates operate as home healthcare providers and nurse and medical staffing providers. The Intrepid home care operating companies serve primarily the elderly, homebound, disabled, and other disadvantaged individuals, providing in-home nurses, therapists, and administrators these patients require. Intrepid U.S.A., Inc. provides administrative and oversight services to each of the subsidiary companies that are involved in the provision of medical services. Debtors have an annual payroll of approximately \$94 million and currently employ approximately 5,766 employees. Debtors operate in 31 states and out of over 100 locations, primarily in the Midwest, South and Southeastern parts of the United States.

FACTS IN SUPPORT OF MOTION

8. Debtors' annual insurance policies (other than workers compensation) include general commercial liability, professional liability, umbrella, automobile, property, and crime coverages. These policies expire effective September 30, 2004. Debtors, through their insurance

agent and competing insurance agent, have been working diligently to obtain replacement insurance and have solicited quotes described below for replacement coverage. Debtors continue to negotiate premium and financing terms, and anticipate improving these terms before the time of the hearing.

9. Through this competitive bidding process Debtors have received several distinct quotes for individual lines of coverage, which quotes Debtors will aggregate to achieve the required coverages at the lowest total price. Attached hereto as Exhibit A is the quote provided by American International Group Companies (“AIG”). For an annual premium of approximately \$167,000, AIG will provide \$1 million/\$2 million general liability coverage subject to a \$25,000 deductible. In addition, for an annual premium of approximately \$573,000, AIG will provide \$1 million/\$3 million professional liability claims made coverage subject to a self-insured retention of \$100,000 per claim. AIG will provide \$5 million umbrella coverage for \$576,000 with an admitted carrier. AIG requires full payment of the annual premium before coverage will be extended.

10. Attached hereto as Exhibit B is the quote provided by Westrope & Associates, Inc. (“Westrope”). For an annual premium of approximately \$1.23 million, Westrope will provide \$1 million/\$3 million general liability coverage and \$1 million/\$3 million professional liability coverage subject to a \$50,000 deductible. Moreover, Westrope will provide \$5 million healthcare umbrella liability coverage for \$508,548 with a non-admitted carrier. Westport likewise requires full payment of the annual premium before coverage will be extended.

11. Attached hereto as Exhibit C is the quote provided by CNA Insurance (“CNA”). For an annual premium of approximately \$39,000, CNA will provide Debtors with automobile, property, crime, and inland marine coverage. In comparison, last year CNA provided the same

coverage to the Debtors for approximately \$54,000. The savings are due in large part to the reduction in offices and change of locations of the remaining offices. Full payment of the annual premium is due before coverage will be extended.

12. The aggregate cost currently contemplated includes \$573,390 for AIG professional liability insurance, \$166,992 for AIG general liability insurance, approximately \$576,000 for a \$5 million umbrella policy through AIG, and approximately \$40,000 for automobile, property, and crime coverage through CNA. In addition, there is a service fee of \$15,000 payable to the broker. This sums to a total expected cost of approximately \$1,371,382.

13. Debtors' broker has agreed to reduce his commission by \$25,000 if Debtors purchase the AIG admitted umbrella coverage. In addition, Debtors are informed there is greater flexibility with financing of an admitted carrier as a non-admitted carrier will require a 25% minimum earned premium at inception requiring at least 25% of the premium to be paid in advance.

14. Debtors continue to negotiate with the above parties as well as other insurers. Debtors have not yet determined which contract they will choose. **Debtors give notice that they will seek authority to enter into these or other insurance contracts at the hearing.**

15. As noted above and as typical in the industry, full payment of the annual premium is due before coverage will be extended. Insurers are unwilling to accept less than full payment of the premium at the initiation of the policy and will not accept payments over time. Debtors have insufficient cash or borrowings under their line of credit with CapitalSource Finance, LLC to pay the premium in full. Debtors are unable to obtain unsecured credit with administrative status in the cases from any source to pay the premium costs. As a result, Debtors will need financing to pay premium costs associated with these insurance policies. As described below,

Debtors have arranged for financing of the premium costs for any of the options on the condition that the financing company obtains a lien in property of the estates not otherwise subject to a lien – the financed premium payments.

16. Debtors are making arrangements to finance the payment of the premium by obtaining a premium finance loan. Debtors have solicited two proposals. Universal Premium Acceptance Corporation (“UPAC”) has agreed to provide a premium finance loan to finance total premium of \$1,349,648.62 in exchange for a \$259,929.72 down payment and eight installments of \$125,431.88 and a finance charge of \$39,168.02. Attached hereto as Exhibit D is UPAC’s financing proposal. Debtors have continued to negotiate with UPAC and hope to present more favorable terms at or before the hearing. Premium Financial Source Corporation (“PFS”) has proposed providing financing for a 15% down payment and the remaining amount of the financing loan paid in nine equal installments. To secure Debtors’ obligations, the above financing companies (as is typical in the industry) have requested a security interest in the financed premium. In the event of default, the premium financing companies would have the right to cancel the policy and receive and apply any returned premium to the loan. Debtors believe they can satisfy the financing obligations for these premiums in their existing budgets.

17. Debtors continue to negotiate with the above financing companies as well as others. Debtors have not yet determined what financing agreement they will choose. **Debtors give notice that they will seek authority to enter into those or other financing agreements at the hearing.**

RELIEF REQUESTED

18. Debtors seek an expedited hearing on this motion for cause. Fed. R. Bankr. P. 2002(a)(2) requires twenty-days notice for use of the property of the estate other than the

ordinary course of business unless “the court for cause shown shortens the time.” Fed. R. Bankr. P. 4001(c) provides for fifteen-days notice of the hearing to obtain credit, but permits the Court to authorize the obtaining of credit on less than fifteen-days notice to avoid immediate and irreparable harm. Finally, Fed. R. Bankr. P. 9006 enables the court to reduce the time for notice of the hearing for “cause.”

19. Here, cause exists to reduce notice of the hearing. Debtors’ current insurance policies will expire on September 30, 2004. Debtors have sought either the renewal or replacement of this coverage for many weeks, but it was not until September 15, 2004 that Debtors received the first of the insurance proposals and the financing proposals followed as recently as September 27, 2004. In any event, Debtors cannot operate without the coverages in place. Indeed, general liability and professional liability coverage is a requirement in all provider agreements under which Debtors are reimbursed for their services and for obtaining licenses and certifications from various states in which Debtors operate. The Debtors have insufficient cash or borrowings under their post-petition line of credit to pay the full premiums as demanded by the insurers. Because the existing insurance policies are set to expire on September 30, 2004, cause exists to reduce notice of this hearing.

20. The Debtors seek authority to enter into the insurance coverages discussed above under 11 U.S.C. § 363(b)(1).¹ In addition, the Debtors seek authority under 11 U.S.C. § 364(c)(2) to grant a lien on property of the estate that is not otherwise subject to a lien – the financed premium payments. Because the agreements are supported by articulated business

¹ Debtors believe entering into the agreements is in the ordinary course of their business and, therefore, Court approval is not necessary. See 11 U.S.C. § 363(c)(1). Nonetheless, to the extent it is not, Debtors move the Court for approval.

justifications and in the best interests of the estates and their creditors, the Court should approve the insurance contracts and premium financing agreement.

21. Pursuant to Local Rule 9013-2(a), this motion is verified, and is accompanied by a memorandum of law, proposed order and proof of service.

22. Pursuant to Local Rule 9013-2(c), Debtors give notice that they may, if necessary, call Gregory Von Arx, Chief Financial Officer of each of the Debtors, whose business address is 6600 France Avenue South, Suite 510, Edina, MN 55435 to testify about the facts raised in this motion.

WHEREFORE, Debtors move the Court for an order granting expedited relief and authorizing them to enter into the general commercial liability insurance contract and premium finance agreement, and for such other relief as the Court deems just and equitable.

Respectfully submitted,

Dated: September 28, 2004

/s/ Ryan T. Murphy
Clinton E. Cutler (#158094)
Ryan T. Murphy (#311972)
FREDRIKSON & BYRON, P.A.
200 South Sixth Street
Minneapolis, MN 55402-1425
(612) 492-7000
(612) 492-7077 (Fax)

ATTORNEYS FOR DEBTORS

VERIFICATION

I, Gregory Von Arx, am the Chief Financial Officer of each of the Debtors in the above-captioned cases. Based upon my personal information and belief, I declare under penalty of perjury that the facts set forth in the preceding motion are true and correct, according to the best of my knowledge, information and belief.

Dated: September 27, 2004

Signed: _____

Gregory Von Arx

#30215561

September 16, 2004

Paulet – Slater, Inc.
Attn: Mr. Jeff Stanley
2610 University Avenue, Suite #200
St. Paul, MN 55114

Name of Applicant: **Intrepid USA, INC.**
Renewal Date: **September 30, 2004**

Dear Jeff:

Based upon the information recently submitted to our office, we are pleased to provide you with the following indications for the above captioned prospect:

COVERAGE	LIMITS	ANNUAL PREMIUM
----------	--------	----------------

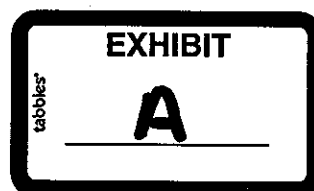
SIR Options:

PROFESSIONAL LIABILITY **\$1,000,000/\$3,000,000** **\$573,390.00**
(Claims Made PL form with varies retro dates as expiring per named insured.
Also with an SIR of \$100,000 per claim.)

COMM. GENERAL LIABILITY **\$1,000,000/\$2,000,000** **\$166,992.00**
Subject to a \$25,000 combined BI/PD Deductible

WV State Surcharge \$ 2.44
Employee Benefits Liab. \$1,000,000/\$1,000,000 \$ Included
(EBL Retro date of 09/30/03 with a \$1,000 Deductible)
Stop Gap Liability \$1m/\$1m/\$1m \$ Included
(Per form LD6522 05/90) based upon payroll of \$2,717,955

(ISO CGL Occurrence form, version CG0001(10/01) with deductible. See attached quotation breakdown)



*** TERMS AND CONDITIONS OF QUOTE LETTER:**

- OK** 1) We have not offered quotations for Auto Liability; Property / EDP coverage; or Fidelity Bond coverage. These lines were not requested and we did not write them last year.
- OK** 2) Our CGL quotation does not include coverage for the sale or rental of Durable Medical Equipment because no exposure was listed on Page 7 of our application. **DME**
- OK** 3) Professional Liability policy will include a non-stacking endorsement.
- OK** 4) The Excess quote will follow.
- OK** 5) The A/I's will be added on a blanket basis per the schedule on file with us and written contract with the Named Insured. We will not agree to waive our rights of subrogation; provide primary coverage to an A/I; notify a certificate holder or an additional insured of changes to the policy; limits or claims activity; or amend our policy terms, conditions or exclusions.
- 6) Please clarify the exact list of Named Insureds. Your submission did not include the following entities which were listed on the expiring policy:
- Healthmate Indiana, Inc.
 - Intrepid-Nurse Connection Home Care, Inc. (inactive)
 - Intrepid of Minnesota, Inc.
 - Intrepid of Missouri, Inc.
 - Intrepid of North Dakota, Inc.
 - Intrepid of St. Cloud, Inc.
 - Intrepid of Wisconsin, Inc.
 - Intrepid of New Mexico, Inc.
 - Intrepid ICM, Inc.
 - Intrepid of New Hampshire, Inc. (inactive)
 - Intrepid of Oregon, Inc. (inactive)
 - Shamrock In Home Nursing Care, Inc. (inactive)
 - J.J.E.D. Care, Inc.
 - Intrepid America - Colorado, Inc.
 - Intrepid America - Northern Florida, Inc.
 - Intrepid America - Georgia, Inc.
 - Intrepid of Edina, Inc.,
 - Western Medical Services (inactive)
 - New Horizons Nursing Services (inactive)
 - New Horizons - Shamrock Home Care (inactive)
 - Family Home Health of Boise (inactive)
 - HealthMate of Florida (inactive)
 - Integrated Care Management (inactive)
 - One-Call Solutions (inactive)
 - Alternative Billing Services (inactive)
- 8) An SIR endorsement will be attached to the PL policy once again this year if coverage is renewed.

✓ with
LISA.

- ITEMS NEEDED PRIOR TO BINDING:**
- OK** 1) The original signed and dated application - including Page 12.
 - OK** 2) Pages 7, 8 and 9 of our AIG application need to be fully completed and returned to include any DME exposures they have. Our CGL and Excess quotes will be subject to change based upon this information.
 - OK** 3) Confirmation that they will remain with an AIG approved TPA - list attached.
 - 4) Confirmation that they no longer employ any Respiratory Therapists as their renewal application did not include any but they indicated these employees last year.
 - OK** 5) With regard to our Excess indication pending; In order to consider following form over the auto liability, we must receive the MVR's on the drivers for the owned vehicles; updated auto loss runs and confirmation that they are insured with an "A" rated; admitted Auto carrier at limits of no less than \$1,000,000.
 - OK** 6) Terrorism rejection form signed by the risk or a written order to bind coverage including coverage for Terrorism on the CGL policy. The additional premium for this would be \$8,350.00.
 - OK** 7) The CGL quotation does not include coverage for any owned or leased apartments. - **location on Chicago Ave IS covered.**

These indications include some services to be provided by AIG Consultants to the insured. They can offer some assistance with Risk Assessment and Risk Management Services and will be provided at no charge to your client.

THIS QUOTATION IS OFFERED ON THE BASIS SHOWN ABOVE, AND DOES NOT NECESSARILY PROVIDE THE TERMS OR CONDITIONS REQUESTED IN YOUR SUBMISSION.

The Professional Liability coverage is offered through National Union Fire Insurance Company of Pittsburgh, PA; one of the American International Group Companies, (AIG) on their Claims Made form #60746 (7/94). National Union carries an AM Best rating of A++XV. Specimen policies are available at your request. The Professional Liability coverage is mandatory in our program.

The Fidelity Bond coverage, if applicable, is also offered through National Union Fire Insurance Company. This policy includes coverage for Third Party Liability, (Clients Fidelity Coverage), with no conviction clause. It does not extend coverage to Independent Contractors or Volunteers. The Fidelity Bond policy does not automatically provide coverage for Legal or Defense costs; however Legal Liability coverage can be quoted for an additional premium on the Fidelity Bond. We do not offer monoline bond coverage.

The General Liability, Non Owned & Hired Auto, and Commercial Property coverage's, (if applicable), are being offered through one of The AIG companies, all A++ XV rated carriers. The CGL would be written on the ISO Occurrence form.

The General Liability policy standard limits of liability are as follows:

Each Occurrence Limit:	\$1,000,000
General Aggregate Limit:	\$2,000,000
Products Aggregate:	\$1,000,000 (included in general agg.)
Personal/Adv. Limit:	\$1,000,000
Fire Damage Limit:	\$ 100,000
Medical Expense Limit:	\$ 5,000

NOTED
The Professional and Commercial General Liability policies provide coverage for the agency and their employees. Independent Contractors are not considered agency employees and therefore are not individually covered. However, the agency is covered for their acts while working within the scope of their duties for the **NAMED INSURED**.

We would require a written binding order including all items requested above under "prior to binding" in order to bind coverage. Full net payment is due prior to binding. Any earned premium is the responsibility of the agent.

Thank you and please do not hesitate to contact our office if you have any questions.

Sincerely,
SMITH, BELL & THOMPSON, INC.

Indication is valid through 09/30/03

Marie F. Gibson
Marie F. Gibson, CIC, CPIW
Senior Underwriter

AKeeth

WESTROPE

801 W. 47th St, Suite 500
Kansas City, MO 64112
Ph: (816) 842-8222 Fax: (816) 842-3081

Date: September 16, 2004
To: Jeff Stanley - Paulet/Slater, Inc.
From: Andrea Keeth
Re: Intrepid USA, Inc
Professional/General/EBL/Umbrella
Effective Date: 9/30/2004

Attached is our indication for Intrepid. Please note that all lines of coverage will be issued on one policy. We would like to draw your attention to some of the advantages of Arch's policy form and coverages:

- * \$50,000 Deductible with no collateral requirement
- * Incident Sensitive Policy Form
- * Prior Acts coverage is included
- * Defense is First Dollar leaving the full limit available for Indemnity payment
- * Defense is Outside the Limits of Liability
- * All inactive corporations to be covered under a "Discontinued Organization Endorsement"
- * Arch welcomes the opportunity to participate or host a claims management meeting with the Insured.
- * Arch can provide Risk Management Services to the Insured

The Umbrella layer premiums are:

1st million: \$227,189
2nd million: \$134,042
3rd million: \$77,744
4th million: \$44,314
5th million: \$25,259

We have agreed that your agency will be responsible for filing all applicable surplus lines taxes. I have attached a surplus lines tax filing letter that would need to be completed and returned upon binding along with the Terrorism Disclosure and blank Arch Application and forms. Should you have any questions, please don't hesitate to call. Thank you.

Reference #: 0414121





801 W. 47th St, Suite 500
Kansas City, MO 64112
Ph: (816) 842-8222 Fax: (816) 842-3081

INSURANCE INDICATION

THIS PROPOSAL IS BASED ON THE UNDERWRITING AND RATING INFORMATION IN YOUR APPLICATION OR PROVIDED BY YOU. THE COVERAGE AND TERMS BEING OFFERED MAY NOT BE THE SAME OR AS BROAD AS REQUESTED IN YOUR APPLICATION. PLEASE REVIEW CAREFULLY AND ADVISE US IMMEDIATELY IF YOU HAVE ANY QUESTIONS.

COVERAGE IS NOT EFFECTED BY THIS INDICATION AND MAY BE RENDERED ONLY BY AN AUTHORIZED REPRESENTATIVE OF THE INSURER.

DATE ISSUED: September 16, 2004

PRODUCER: Jeff Stanley
Paulet/Slater, Inc.
2610 University Ave. West, Suite 200
St Paul, MN 55114-1090

INSURED: Intrepid USA, Inc
6600 France Avenue Suite 510
Minneapolis, MN 55435

INSURER: Arch Specialty Insurance Company
☐ Admitted
☒ Non-Admitted - Agent will file taxes

INDICATION EXPIRES: 9/30/04

COVERAGE: Professional/General/EBL/Umbrella

POLICY FORM: Claims Made

RETROACTIVE DATE: Various on Prof. & Umbrella
(No coverage for claims prior to this date)

POLICY PERIOD: 9/30/2004 TO 9/30/2005

LIMITS OF LIABILITY:

HealthCare Professional Liability
\$3,000,000 Aggregate Limit
\$1,000,000 Each Medical Incident Limit

Commercial General Liability
\$3,000,000 General Aggregate Limit
\$3,000,000 Products-completed operations aggregate limit
\$1,000,000 Personal and Advertising Injury Limit
\$1,000,000 Each Occurrence Limit
\$100,000 Fire damage limit
\$5,000 Medical Expense Limit

Employee Benefits Liability
\$1,000,000 Each Employee Limit
\$3,000,000 Aggregate Limit

HealthCare Umbrella Liability
\$5,000,000 Aggregate Limit
\$5,000,000 Each Occurrence Limit

DEDUCTIBLE:

Healthcare Professional Liability
\$50,000 Each Medical Incident Deductible
\$0 Aggregate Deductible

Commercial General Liability
\$50,000 Bodily Injury Liability Deductible
\$50,000 Property Damage Liability Deductible
\$50,000 Personal/Advertising Injury Liability Deductible
\$0 Aggregate Deductible

Employee Benefits Liability
\$1,000 Each Employee Deductible

CONDITIONS:

Cancellation per policy form and/or State Amendatory(ies)

This document shall not be construed to Effect or Bind coverage in any way without the expressed authority of the Carrier.

All other terms and conditions apply per form

MEP: 25% MINIMUM EARNED PREMIUM AT INCEPTION

TERMS/ENDORSEMENTS/EXCLUSIONS:

Healthcare Professional Liability Coverage Form
Healthcare General Liability Coverage Form
Employee Benefits Liability Coverage Endorsement
Healthcare Umbrella Coverage Form
Introduction
Signature Page
Policy Forms List
Claims Notification Endorsement
Service of Suit Endorsement
State Amendatory Endorsement, where required

Common Policy Conditions
Your Duties in the Event of a Loss
Government Access to Records
Patient Injury Limitation Endorsement
Asbestos Exclusion Change Endorsement
Abuse or Molestation Exclusion Endorsement
War or Terrorism Exclusion Change Endorsement O R
War, Certified Acts of Terrorism and Other Acts of Terrorism Change Endorsement

Primary Premium: \$712,572
Umbrella Premium: \$508,548

Loss adjustment expenses are outside the Limit of Liability

Proposal includes one \$1,000,000/\$3,000,000 professional limit of liability and one \$1,000,000/\$3,000,000 general liability limit of liability only. These limits of liability are to be shared by all organizations, legal entities and locations

All inactive corporations to be covered under a "Discontinued Organization Endorsement" (see attached)

Named insureds shall be scheduled on a separate schedule of named insureds with the exception of the inactive corporations which will be covered under the "Discontinued Organization Endorsement"

This policy provides no coverage for any physician, surgeon or dentist.

Deductible applies to damages only.

Optional Extended Reporting Period is available.

Minimum Underlying Requirements:
Automobile Liability

Combined Single Limit (fleets less than 26 units) \$1,000,000
Combined Single Limit (fleets more than 26 units) \$2,000,000

Employers Liability
Each Accident \$1,000,000
Disease-Each Employee \$1,000,000
Disease-Policy Limit \$1,000,000

Non-Owned Aircraft
Each Accident \$10,000,000

Owned Watercraft (26 feet or under)
Each Occurrence \$1,000,000

Underlying carriers must carry at least an "A-" rating from A.M. Best and a financial class size of at least "X".

SUBJECT TO:

1. The attached terrorism selection / rejection form must be completed, signed and returned with the request to bind. A binder cannot be issued without this form.
2. Completed and signed Arch Healthcare Application
3. Proof of \$1,000,000 underlying limit on Automobile Liability
4. Proof of \$1,000,000 underlying limits on Employers Liability
5. Completed Surplus Lines Tax Filing Documentation Letter

Coverage and premium terms are subject to change or withdrawal pending review and underwriting approval of the requested additional information

<u>PREMIUM:</u>	\$1,221,120.00
<u>TRIA/TERRORISM:</u>	\$7,935.00 (If Purchased)
<u>FEES:</u>	\$1,000.00
<u>TAXES:</u>	Not Included - Agent to file
<u>TOTAL:</u>	\$1,230,055.00

**ALL FEES ARE FULLY EARNED AT POLICY INCEPTION
NO FLAT CANCELLATIONS**

TAXES & FEES:

AGENT IS RESPONSIBLE FOR ALL FILINGS.

State surcharges and/or fees charged by the Insurer may not be included herein and will be billed at a later date.

THIS INDICATION IS ISSUED BASED UPON THE INSURER'S AGREEMENT TO INDICATE AND IS ISSUED BY THE UNDERSIGNED WITHOUT ANY LIABILITY WHATSOEVER AS AN INSURER. THIS INDICATION MAY BE WITHDRAWN BY THE INSURER AT ANY TIME PRIOR TO BINDING.

**PREMIUM PAYMENT IS DUE WITHIN TWENTY (20) DAYS FROM EFFECTIVE DATE
UNLESS OTHERWISE STIPULATED.**

**Andrea Keeth
AUTHORIZED REPRESENTATIVE**

**INSURED: Intrepid USA, Inc
DATE ISSUED: September 16, 2004**

Reference #: 0414121



5201 Eden Ave Suite 300, Edina, MN 55436

David Mischke, CPCU
Underwriting Specialist
Underwriting
952-285-3313
FAX 952-285-3320

September 15, 2004

TO: Jeff Stanley
Paulet/ Slater Inc
RE: Commercial Account Quotation

Account Name:	Intrepid Usa, Inc.	New []	Renewal [X]
Effective Date:	September 30, 2004	Program:	N/A

ACCOUNT PREMIUM RECAP

Coverage	Policy #	Company	Premium
Automobile	BUA 2067798196	Transportation Insurance Company	\$9,336.00
Package	TPE 2074901417	Transcontinental Insurance Company	\$29,536.00
Property			\$23,682.00
Crime			\$1,918.00
Inland Marine			\$3,925.00
Tax/Surcharge			\$11.00
Total Account Premium			\$38,872.00

Account Quotation is Subject To:

1. Updated financial statement. This account does not meet our financial minimum guidelines from a D & B validity score, so I need some additional financial information for my file.
2. Updated drivers list.
3. Policy change on the Florida locations. Those locations will be subject to a \$50,000 wind deductible. This will be manuscripted onto the policy.

Comments:

The account was quoted per expiring, with some minor changes due to the updated address listing. I am using 133 locations for the property at unscheduled locations charge. I charged per last year at \$25,000 per location at a .58 rate. Please review the worksheets for other charges and coverages to make sure there are no omissions. Not sure if the EDP and crime coverages are correct. The property coverage is quoted with our PEP endorsement. See quote sheets for coverage highlights. Equipment breakdown coverage is not included in this quote.

The auto deductibles were increased to minimum company guidelines. See auto worksheets for changes.

NOTE: This quotation is valid for 30 days or the inception date whichever is first.



28 pages total

PREMIUM FINANCE AGREEMENT AND DISCLOSURE STATEMENT

UNIVERSAL PREMIUM ACCEPTANCE CORPORATION 8245 Nieman Road Suite 100 Lenexa, KS 66214 Tel 913-894-6150 * 800-877-7848 * Fax 913-894-4988 www.upac.com * info@upac.com HEREINAFTER CALLED THE FINANCE CO	Please check appropriate boxes <input checked="" type="checkbox"/> New <input type="checkbox"/> Endorsement <input type="checkbox"/> Personal <input checked="" type="checkbox"/> Commercial <input type="checkbox"/> Coupon Book <input checked="" type="checkbox"/> Monthly Invoice <input type="checkbox"/> Automatic Withdrawal	NC LIC #B-304 SC LIC #91940166 Account # Quote Nr 5225 Reference
--	---	---

INSURED: Name and Address (as stated in policy) INTREPID USA GREG VONARX 6600 FRANCE AVE SOUTH STE 510 EDINA, MN 55435-0000 PHONE 952-285-7300 EMAIL	PRODUCER: Name and Place of Business PAULET/SLATER INC 2610 UNIVERSITY AVE STE 200 ST PAUL, MN 55114-0000 TEL #: 651-644-0311 JHH- 3962-DD00-P4.75-MN
---	---

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

TOTAL PREMIUM(S)	DOWN PAYMENT	AMOUNT FINANCED Amount of credit provided to you or on your behalf	FINANCE CHARGE The dollar amount the credit will cost you. *	TOTAL OF PAYMENTS Amount you will have paid after you have made all the scheduled payments.	TOTAL SALE PRICE (Deferred payment price.) The total cost of your purchase on credit. Including your down payment	PI Th cre
\$1,349,648.62	\$259,929.72	\$1,089,718.90	\$39,168.02	\$1,128,886.92	\$1,388,816.64	
			YOUR PAYMENT SCHEDULE WILL BE: >	(A) AMOUNT OF EACH PAYMENT	(B) NUMBER OF PAYMENTS	(C)
				\$125,431.88	9 (monthly)	1

SECURITY: You are giving a security interest in the policy(ies) listed below.

LATE CHARGE: Late charge is 5% of scheduled payment as allowed by law, not to exceed \$5 DE, MT, NM; \$5 (personal) NJ, SC, SD, WA; \$10 (pers WV; \$15 (personal) AR, CO, IL, MO, MS; \$19 OK(personal); \$20 IA(personal); min. \$1 AR, DE, IL, IN, KY, MI, MN, NC, NH, NV, OH VT, WA; min. \$1 (personal) NJ, WV; min. \$1 (commercial) HI, ID, LA, NE, SD, WY; min. \$1.50 AL, GA; min. \$2 TN; min. \$5 ID(perso WY(personal); min. \$20 UT; min \$25 NJ(commercial); 2% plus \$5 KS; \$5 on less than \$250 payment amount, 2% on over than \$250 amount AK, OR; \$16.50 flat IN(personal); \$5 flat ND

PREPAYMENT: If you pay off early, you may be entitled to a refund of part of the finance charge. * Finance charge includes non-refundable service fee (personal); \$10 AK, AR, CO, CT, DE, HI, KS, LA, MO, NE, OR, SD, WA; \$10 (commercial) IA, ID, IN, ME, MN, OK, WV, WY; \$12 NJ \$15 AL, KY, NC, RI, SC; \$18 MI; \$20 DC, GA, ND; \$20 (personal) IL, MN, OH; \$25 NV; \$30 IL(commercial); not in MS, NH, NM, TN, OH(commercial); not in (personal) IA, ID, IN, ME, WV, WY

SCHEDULE OF POLICIES COVERED BY THIS AGREEMENT

Policy Prefix and Number	Policy Term (in months)	Name and address of Insurance Co. and name and address of General or policy Issuing Agent	Effective Date of Policy	Type of Coverage
		See Attached Schedule of Policies		Tax Fee Broker Fee

If any of the policies listed above are assigned risk, have premiums subject to adjustments by audit, or have other restrictions i.e. more than 10 day non cancellation, short rate cancellation, fully or partially earned premiums, or if the insured is involved in any bankruptcy proceeding, or if there is any other would make the return premium indefinite or less than standard 10 day/prorate producer must indicate above.

FOR VALUE RECEIVED: 1. Buyer agrees to all the provisions set out above and on the attached hereof. (continued on attachment)

NOTICE: THE FINANCE CO is subject to all claims and defenses which the Debtor could assert against the Seller of goods or services obtained pursuant to the proceeds thereof. Recovery hereunder by the Debtors shall not exceed amount paid by the Debtor hereunder. THE FINANCE CO and the producer are considered to be multiple creditors for purposes of the Federal Truth in Lending Law.

NOTICE TO INSURED BUYER/INSURANCE PREMIUM FINANCE AGREEMENT NOTICE: Upon receipt of this contract, whether you have signed it, or Producer to sign for you (not permitted in KY), Insured Buyer agrees to the provisions on both pages of this contract. 1. Do not sign this before you read the attached page, even if advised otherwise. 2. Make sure there are no blank spaces, and that all terms and computations are correct. 3. If any errors your Producer and THE FINANCE CO immediately. 4. In the event of prepayment of the full amount due, the unearned portion of the finance charge is additional charge referred to above, shall be calculated according to the "Rule of 78ths" for each full month remaining on the contract where required by IA (personal), IA(personal), ME, MO, MT, NJ, OR, VT where refunds will be calculated under the actuarial method. 5. Finance Charge applies from the earliest policy shown above. 6. You are entitled to an exact copy of the agreement you sign.

Buyer's Signature _____

Date _____

Producer - (where allowed by law - NOT PERMITTED IN AK, ID(personal), IN(personal), IA(personal), LA(commercial), NV, NC, OH OR SC, AND TN)

WARRANTY AND AGREEMENT

The undersigned warrants: 1. That the Insured received a copy of this agreement. 2. That this agreement evidences a bona fide legal indebtedness. 3. Is without recourse on the Producer unless amended by a duly executed Letter of Responsibility. 4. Producer warrants that the insurance described above ordered by the Insured Buyer, has been placed with the insurance companies, the information shown in the schedule of policies is correct, the cash down indicated above has been collected (in good funds) and that the Producer has paid or will pay the down payment plus any funds advanced by THE FIN/ insurance companies in order to assure that the policies listed herein are put into effect on the dates so indicated. Producer agrees to provide written n

EXHIBIT**D**

PREMIUM FINANCE AGREEMENT AND DISCLOSURE STATEMENT

UNIVERSAL PREMIUM ACCEPTANCE CORPORATION 8245 Nieman Road Suite 100 Lenexa, KS 66214 Tel 913-894-6150 * 800-877-7848 * Fax 913-894-4988 www.upac.com * info@upac.com HEREINAFTER CALLED THE FINANCE CO	Please check appropriate boxes <input checked="" type="checkbox"/> New <input type="checkbox"/> Endorsement <input type="checkbox"/> Personal <input checked="" type="checkbox"/> Commercial <input type="checkbox"/> Coupon Book <input checked="" type="checkbox"/> Monthly Invoice <input type="checkbox"/> Automatic Withdrawal	NC LIC #B-304 SC LIC #91940169 Account N Quote Nu 5224 Reference
---	---	---

INSURED: Name and Address (as stated in policy)
 INTREPID USA
 GREG VONARX
 6600 FRANCE AVE SOUTH STE 510
 EDINA, MN 55435-0000
 PHONE 952-285-7300
 EMAIL

PRODUCER: Name and Place of Business
 PAULET/SLATER INC
 2610 UNIVERSITY AVE STE 200
 ST PAUL, MN 55114-0000
 TEL #: 651-644-0311
 JHH- 3962-DD00-P4.75--MN

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

TOTAL PREMIUM(S)	DOWN PAYMENT	AMOUNT FINANCED Amount of credit provided to you or on your behalf	FINANCE CHARGE The dollar amount the credit will cost you. *	TOTAL OF PAYMENTS Amount you will have paid after you have made all the scheduled payments.	TOTAL SALE PRICE (Deferred payment price.) The total cost of your purchase on credit including your down payment	PE Th cre
\$1,364,770.86	\$170,000.00	\$1,194,770.86	\$47,264.74	\$1,242,035.60	\$1,412,035.60	
			YOUR PAYMENT SCHEDULE WILL BE: >	(A) AMOUNT OF EACH PAYMENT	(B) NUMBER OF PAYMENTS	(C) B
				\$124,203.56	10 (monthly)	11

SECURITY: You are giving a security interest in the policy(ies) listed below.

LATE CHARGE: Late charge is 5% of scheduled payment as allowed by law, not to exceed \$5 DE, MT, NM; \$5 (personal) NJ, SC, SD, WA; \$10 (pers WV; \$15 (personal) AR, CO, IL, MO, MS; \$19 OK(personal); \$20 IA(personal); min \$1 AR, DE, IL, IN, KY, MI, MN, NC, NH, NV, OH, VT, WA; min. \$1 (personal) NJ, WV; min. \$1 (commercial) HI, ID, LA, NE, SD, WY; min. \$1.50 AL, GA; min. \$2 TN; min. \$5 ID(personal); min. \$20 UT; min \$25 NJ(commercial); 2% plus \$5 KS; \$5 on less than \$250 payment amount, 2% on over than \$250 amount AK, OR; \$16.50 flat IN(personal); \$5 flat ND

PREPAYMENT: If you pay off early, you may be entitled to a refund of part of the finance charge. * Finance charge includes non-refundable service fee (personal); \$10 AK, AR, CO, CT, DE, HI, KS, LA, MO, NE, OR, SD, WA; \$10 (commercial) IA, ID, IN, ME, MN, OK, WV, WY; \$12 NJ \$15 AL, KY, NC, RI, SC; \$18 MI; \$20 DC, GA, ND; \$20 (personal) IL, MN, OH; \$25 NV; \$30 IL(commercial); not in MS, NH, NM, TN, OH(commercial); not in (personal) IA, ID, IN, ME, WV, WY

SCHEDULE OF POLICIES COVERED BY THIS AGREEMENT

Policy Prefix and Number	Policy Term (in months)	Name and address of Insurance Co. and name and address of General or policy issuing Agent	Effective Date of Policy	Type of Coverage
		See Attached Schedule of Policies		Tax Fee Broker Fee

If any of the policies listed above are assigned risk, have premiums subject to adjustments by audit, or have other restrictions i.e. more than 10 day not cancellation, short rate cancellation, fully or partially earned premiums, or if the insured is involved in any bankruptcy proceeding, or if there is any other would make the return premium indefinite or less than standard 10 day/prorate producer must indicate above.

FOR VALUE RECEIVED: 1. Buyer agrees to all the provisions set out above and on the attached hereof. (continued on attachment)

NOTICE: THE FINANCE CO is subject to all claims and defenses which the Debtor could assert against the Seller of goods or services obtained pursuant to the proceeds thereof. Recovery hereunder by the Debtors shall not exceed amount paid by the Debtor hereunder. THE FINANCE CO and the produce are considered to be multiple creditors for purposes of the Federal Truth in Lending Law.

NOTICE TO INSURED BUYER/INSURANCE PREMIUM FINANCE AGREEMENT NOTICE: Upon receipt of this contract, whether you have signed it, or Producer to sign for you (not permitted in KY), Insured Buyer agrees to the provisions on both pages of this contract. 1. Do not sign this before you read the attached page, even if advised otherwise. 2. Make sure there are no blank spaces, and that all terms and computations are correct. 3. If any errors your Producer and THE FINANCE CO immediately. 4. In the event of prepayment of the full amount due, the unearned portion of the finance charge ex additional charge referred to above, shall be calculated according to the "Rule of 78ths" for each full month remaining on the contract where required by la (personal). IA(personal), ME, MO, MT, NJ, OR, VT where refunds will be calculated under the actuarial method. 5. Finance Charge applies from the eff earliest policy shown above. 6. You are entitled to an exact copy of the agreement you sign.

Buyer's Signature _____

Date _____

Producer - (where allowed by law - NOT PERMITTED IN AK, ID(personal), IN(personal), IA(personal), LA(commercial), NV, NC, OH, OR, SC, AND TN)

WARRANTY AND AGREEMENT

The undersigned warrants: 1. That the insured received a copy of this agreement. 2. That this agreement evidences a bona fide legal indebtedness. 3. is without recourse on the Producer unless amended by a duly executed Letter of Responsibility. 4. Producer warrants that the insurance described above ordered by the Insured Buyer, has been placed with the insurance companies. the information shown in the schedule of policies is correct, the cash down indicated above has been collected (in good funds) and that the Producer has paid or will pay the down payment plus any funds advanced by THE FINA insurance companies in order to assure that the policies listed herein are put into effect on the dates so indicated. Producer agrees to provide written no

FINANCE CO of any subsequent endorsement to the schedule of policies. 5. If Insured Buyer has not signed the agreement, Producer certifies that he and lawfully authorized to sign this agreement by and on behalf of Buyer. (Not permitted in KY). 6. Upon termination of this agreement or cancellation o pay THE FINANCE CO the unearned insurance premiums and unearned insurance commissions received by, or credited to it, and that any lien it has is the lien of THE FINANCE CO

NOTICE: SEE ATTACHED FOR IMPORTANT INFORMATION

(Producer's Signature and Date)

As collateral security for the payment of the above obligation Buyer agrees as follows:

READ AND SIGN EACH PAGE _____

2. Buyer, by his signature, promises to pay THE FINANCE CO the amount listed in **TOTAL OF PAYMENTS**, in consecutive installments as described in boxes A B and C.

3. Buyer appoints any officer or employee of THE FINANCE CO as Buyer's Attorney-in-Fact with power to arrange payment for and/or cancellation of all policies listed on the attached hereof

4. In case of default of any payment or failure of the Buyer to pay any endorsement to the schedule of policies within 30 days of the effective date of such endorsement, THE FINANCE CO may, after having given the 10 days (plus mailing) written notice mailed to Buyer and Producer of intent to cancel, during which ten-day period Buyer may cure default, thereafter cancel any policies mentioned on the attached hereof

5. Default shall accelerate all payments which shall be deemed to have matured

6. If not paid at maturity, whether by acceleration or otherwise, THE FINANCE CO may place this agreement in the hands of an attorney for collection and THE FINANCE CO may collect actual statutory attorney fees and statutory costs if awarded in a court of law (25% of outstanding indebtedness in VT, 20% of outstanding indebtedness in NV Not in Kentucky Not in Maine (consumer loans))

7. Payments are to be made to THE FINANCE CO unless otherwise notified in writing

8. If a default results in the cancellation of any insurance contract listed in this agreement, the agreement may provide for the payment by the insured of a cancellation charge subject to applicable state law requirements

9. Demand for payment, protest, and notice of dishonor waived.

10. No insurance is charged hereunder, and no official fees are charged

11. Buyer assigns to THE FINANCE CO all rights to return premiums which may in any manner become payable to or under the policies listed on this Agreement subsequent to default under said policies which reduce the unearned premiums (subject, however to any prior perfected mortgage or loss payee interest). THE FINANCE CO hereof shall first apply any such payments to satisfy the amount due under this Agreement, interest or late charges as may be provided herein and/or as are allowed by law, and remit any surplus then remaining to Buyer at the address given hereon.

12. The Buyer shall not assign or otherwise encumber (except as may be provided herein) the policies listed herein, during the term hereof, and agrees that THE FINANCE CO may correct typographical and computational errors without notice, provided that such corrections are in accordance with standard rates of THE FINANCE CO.

13. In the event of any default in the payment of any installment due hereunder or in the event of an assignment without the consent of THE FINANCE CO hereof, or if the property insured is sold, or if the Buyer becomes insolvent or be declared bankrupt, or in the event of the death of the Buyer, such happening, default or breach shall be deemed an election on the part of the Buyer and/or his estate to cancel the policies, and THE FINANCE CO, at its election after giving the Buyer 10 days notice that said policies will be cancelled, is authorized to notify the insurance company of such cancellation and in such case have the return premium paid direct to THE FINANCE CO.

14. In the event of the cancellation of the policies by the insurance companies, the return premium shall be paid direct to THE FINANCE CO. If THE FINANCE CO receives any payments from Buyer after cancellation procedures have been initiated or effected, THE FINANCE CO at its option may, without further notice, apply said payment to any balance owing on Buyer's account without attempting to stop such cancellation or without attempting to reinstate said policy.

15. If any insurance company listed herein is declared insolvent or subject to receivership proceedings or placed in receivership or if THE FINANCE CO shall in good faith feel insecure as to the financial or other legal status of one or more of the listed insurance companies, then the full amount payable hereunder shall at THE FINANCE CO's option become forthwith due and payable without notice and THE FINANCE CO shall have the right to cancel said policies and pursue any and all of its other rights under this Agreement and particularly Paragraph 13 hereof (Not applicable in KY and NV)

16. Buyer releases and discharges and agrees to hold harmless THE FINANCE CO hereof, and his or its agents, officers, employees, assignees from any liability or cause of action by reason of a made or notified or pursuant to provisions hereof (Not in KY)

17. No waiver by THE FINANCE CO shall be construed as a other or subsequent default nor affect any rights incident the assignee of THE FINANCE CO shall be under any liability to insurer or as a producer or employee of an insurer. The entire between the parties hereto is contained herein and there are conditions, provisions, understandings or undertakings

18. Buyer agrees that the surrender of the policies shall not entitle THE FINANCE CO to receive any return premiums and authorizes each of the insurance companies to pay to THE FINANCE CO such return premiums otherwise payable hereunder without surrender of any policy or certificate.

19. Buyer agrees that no producer soliciting and/or writing a policy was or is the agent of THE FINANCE CO hereof, all having acted solely as agents of the insurance companies. No representations, promises or warranties of any such producer to this contract or any of said policies shall be binding upon THE FINANCE CO

20. Any notice mailed by THE FINANCE CO, postage prepaid at the last address furnished by the customer to the merchant, sufficient notice, but this provision shall in no way be deemed to require the giving of any notice not specifically provided for. Rights and notices shall be of equal effect and notice to other may be insured on any such policy in addition to the Buyer.

21. The singular shall include the plural herein to give full effect meaning. Buyer as used herein shall mean the insured. Prod herein shall include within its meaning the insurance seller, a broker. Producer is not an agent of THE FINANCE CO

22. If any of the terms or provisions hereof are against the public policy of the law of the applicable state, then such terms or provisions to the extent they are of no force or effect, provided, however, the remainder of the agreement shall continue to be of full force and effect unless prohibited by law

23. If the Endorsement Box on the attached page is checked, it shall constitute a written request that the additional premium attached page be added to the original obligation. THE FINANCE CO agrees to notify the Buyer by ordinary mail of any resulting adjustment under the revised finance agreement. Buyer agrees to be bound by such adjustments.

24. Agrees that this agreement shall not be effective until accepted by THE FINANCE CO in Lenexa, Kansas

25. Agrees that the insurance company or producers are not agents of THE FINANCE CO and have no power to bind THE FINANCE CO by statements or representations and any monies paid to any of the insurance companies are paid at the insured borrower's risk. It is understood that THE FINANCE CO is not an insurance company and assumes no liability as such hereunder and is not a producer directly or indirectly a party of any insurance contract and has no responsibility for any claim the insured borrower may have on a policy. It is expressly agreed that THE FINANCE CO is not liable in any event or under any condition become liable to the borrower for any injury or damage the cancellation or reinstatement. If any provisions of this exculpatory clause shall be held void as being contrary to public policy, the remainder of this clause shall not be affected. (Not applicable in KY)

26. Borrower hereby submits to the jurisdiction of Kansas for all matters relating to this Finance Agreement

NOTICE: SEE ATTACHED FOR IMPORTANT INFORMATION

Read and sign each page _____

SCHEDULE OF POLICIES COVERED BY THIS AGREEMENT				
Policy Prefix and Number	Policy Term (in months)	Name and address of Insurance Co. and name and address of General or policy issuing Agent	Effective Date of Policy	Type of Coverage
UNASSIGNED	12	AIG AIG NEW YORK, NY 001751 SMITH BELL & THOMPSON INC BURLINGTON, VT	09/30/2004	PKG Tax: Fee: Broker Fee:
UNASSIGNED	12	C81250 WESTPORT INS CORP ALPHARETTA, GA 001751 SMITH BELL & THOMPSON INC BURLINGTON, VT	09/30/2004	UMB Tax: Fee: Broker Fee:
UNASSIGNED	12	FEE AGENCY FEES No General Agent	09/30/2004	FEE Tax: Fee: Broker Fee:
UNASSIGNED	12	OLDBAL OLD BALANCE No General Agent	09/30/2004	OLD Tax: Fee: Broker Fee:

UNIVERSAL PREMIUM ACCEPTANCE CORPORATION
8245 Nieman Road Suite 100
Lenexa, KS 66214
Tel 913-894-6150 * 800-877-7848 * Fax 913-894-4988
www.upac.com * info@upac.com
HEREINAFTER CALLED THE FINANCE CO.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Case No. 04-40416-NCD

Case No. 04-40462-NCD

Case No. 04-40418-NCD

Debtors

Case Nos. 04-41924 – 04-41988-NCD

**MEMORANDUM IN SUPPORT OF MOTION FOR ORDER GRANTING EXPEDITED
HEARING AND AUTHORIZING DEBTOR INTREPID USA, INC. TO ENTER INTO
INSURANCE CONTRACTS AND INSURANCE PREMIUM FINANCE AGREEMENT**

INTRODUCTION

Intrepid U.S.A., Inc. and its affiliated entities in the cases referenced above (the “Debtors”), submit this memorandum in support of their motion. The Debtors’ annual insurance policies (other than workers compensation) include general commercial liability, professional liability, umbrella, automobile, property, and crime coverages and are set to expire on September 30, 2004. Debtors have solicited quotes for replacement coverage but the insurers are unwilling to accept less than full payment of the premium at the initiation of the policy and will not accept payments over time. The Debtors have insufficient cash or borrowings available under their credit line with Capitalsource Finance LLC, and Debtors are unable to obtain unsecured credit with administrative status. As a result, Debtors will need financing to pay premium costs associated with these coverages. Because these insurance policies and insurance premium finance agreement are in the best interests of the estates, Debtors respectfully request that the Court enter an order granting the relief requested in the Motion.

ANALYSIS

I. CAUSE EXISTS TO REDUCE NOTICE OF THE HEARING.

Fed. R. Bankr. P. 2002(a)(2) requires twenty-days notice for use of the property of the estate other than the ordinary course of business unless “the court for cause shown shortens the time.” Fed. R. Bankr. P. 4001(c) provides for fifteen-days notice of the hearing to obtain credit, but permits the Court to authorize the obtaining of credit on less than fifteen-days notice to avoid immediate and irreparable harm. Finally, Fed. R. Bankr. P. 9006 enables the court to reduce the time for notice of the hearing for “cause.”

Cause exists to reduce notice of the hearing. Debtors’ current policies will expire on September 30, 2004. Debtors have sought either the renewal or replacement of this coverage for many weeks, but it was not until September 15, 2004 that Debtors received the first of the insurance proposals and the financing proposals followed as recently as September 27, 2004. In any event, Debtors cannot operate without these coverages. Indeed, general liability and professional liability coverage is a requirement in all provider agreements under which Debtors are reimbursed for their services and for obtaining licenses and certifications from various states in which Debtors operate. The Debtors have insufficient cash or borrowings under their post-petition line of credit to pay the full premiums as demanded by the insurers. Because the existing insurance policies are set to expire on September 30, 2004, cause exists to reduce notice of this hearing.

II. THE COURT SHOULD APPROVE THE INSURANCE CONTRACTS AND PREMIUM FINANCING AGREEMENT BECAUSE THEY ARE IN THE BEST INTERESTS OF THE CREDITORS.

Bankruptcy Code section 363(b)(1) requires court approval, after notice and hearing, for the use of estate property outside of the ordinary course of business. 11 U.S.C. § 363(b)(1). In interpreting section 363(b)(1), courts have held that a transaction involving property of the estate

generally should be approved so long as the debtor demonstrates “some articulated business justification from using, selling, or leasing property outside of the ordinary course of business.”

In re Continental Airlines, Inc., 780 F.2d 1223, 1226 (5th Cir. 1986). Bankruptcy Code section 364(c)(2) enables a debtor to obtain a lien on property of the estate that is not otherwise subject to a lien:

If the [debtor-in-possession] is unable to obtain unsecured credit allowable under section 503(b)(1) of this title as an administrative expense, the court, after noticing the hearing, may authorize the obtaining of credit or the incurring of debt

--

* * *

(2) secured by a lien on property of the estate that is not otherwise subject to a lien.

11 U.S.C. § 364(c)(2).

The Debtors’ annual insurance policies (other than workers compensation) include general commercial liability, professional liability, umbrella, automobile, property, and crime coverages and are set to expire on September 30, 2004. Debtors, through their insurance agent, have been working diligently to obtain replacement coverages and have solicited quotes from AIG, Westrope, and CNA as more fully described in the Motion. Debtors continue to negotiate with the above parties as well as other insurers. Debtors have not yet determined which contract they will choose.

As noted in the Motion and as typical in the industry, full payment of the annual premium is due before coverage will be extended. Insurers are unwilling to accept less than full payment of the premium at the initiation of the policy and will not accept payments over time. Debtors have insufficient cash or borrowings under their line of credit with CapitalSource Finance, LLC to pay the premium in full. Debtors are unable to obtain unsecured credit with administrative status in the cases from any source to pay the premium costs. As a result, Debtors will need

financing to pay premium costs associated with the insurance policies. Debtors have arranged for financing of the premium costs for any of the options on the condition that the financing company obtains a lien in property of the estates not otherwise subject to a lien – the financed premium payments. Specifically, the Debtors have received financing proposals from UPAC and PFS. Debtors continue to negotiate with the above financing companies as well as others. Debtors have not yet determined what financing agreement they will choose.

CONCLUSION

For all the above reasons, Debtors respectfully request that the Court grant expedited relief and enter an order authorizing them to enter into and perform under the terms of the insurance contracts and premium financing agreement.

Respectfully submitted,

Dated: September 28, 2004

/s/ Ryan T. Murphy
Clinton E. Cutler (#158094)
Ryan T. Murphy (#311972)
FREDRIKSON & BYRON, P.A.
200 South Sixth Street
Minneapolis, MN 55402-1425
(612) 492-7000
(612) 492-7077 (Fax)

ATTORNEYS FOR DEBTORS

#3021596\1

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Case No. 04-40416-NCD

Case No. 04-40462-NCD

Case No. 04-40418-NCD

Debtors

Case Nos. 04-41924 – 04-41988-NCD

CERTIFICATE OF SERVICE

Ryan T. Murphy, under penalty of perjury, states that on September 28, 2004 he caused to be served the following:

1. Notice Of Hearing And Motion For Order Granting Expedited Hearing And Authorizing Debtor Intrepid U.S.A., Inc. To Enter Into Insurance Contracts And Insurance Premium Finance Agreement;
2. Memorandum In Support Of Motion For Order Granting Expedited Hearing And Authorizing Debtor Intrepid U.S.A., Inc. To Enter Into Insurance Contracts And Insurance Premium Finance Agreement;
3. Order Granting Expedited Hearing And Authorizing Debtor Intrepid U.S.A., Inc. To Enter Into Insurance Contracts And Insurance Premium Finance Agreement; and
4. Certificate of Service

by sending true and correct copies as noted on the attached Service List.

Dated: September 28, 2004

/s/Ryan T. Murphy

Ryan T. Murphy

Dennis Simon
Intrepid U.S.A., Inc.
6600 France Avenue South
Suite 510
Edina MN 55425

Michael Massad/Steven Holmes
Hunton & Williams
30th floor, Energy Plaza
1601 Bryan St
Dallas TX 75201

*Robert B. Raschke Esq
U.S. Trustee's Office
1015 US Courthouse
300 South Fourth Street
Minneapolis, MN 55415

Roylene A. Champeaux
D. Gerald Wilhelm
Assistant US Attorney
600 US Courthouse
300 South Fourth Street
Minneapolis MN 55415

MN Department of Revenue
Collection Enforcement
551 Bankruptcy Section
P.O. Box 64447
St. Paul, MN 55164

Internal Revenue Service
Special Procedures Branch
Stop 5700
316 North Robert Street
St. Paul, MN 55101

Blaine Holliday
IRS Office of Chief Counsel
650 Galtier Plaza
380 Jackson Street
St. Paul, MN 55101

Securities & Exchange Comm.
Bankruptcy Section
175 W Jackson Blvd.
Suite 900
Chicago IL 60604

DVI Financial Services, Inc.
c/o Clark T. Whitmore
Maslon Edelman et al.
3300 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

*DVI Business Credit Corp.
Richard M. Beck, Esq.
Klehr, Harrison, Harvey et al.
260 South Broad Street
Philadelphia PA 19102-3163

*Todd J. Garamella
c/o John McDonald
Robins, Kaplan
2800 LaSalle Plaza
800 LaSalle Avenue
Minneapolis, MN 55402-2015

Attorneys for Creditors Committee

*Jeffrey K. Garfinkle
Buchalter Nemer et al.
18400 Von Karman Ave, Suite 800
Irvine CA 92612

*George Singer
Lindquist & Vennum, P.L.L.P.
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2205

Requests for Notice

IRS/Special Procedures Branch
c/o Barbara Zoccola
200 Jefferson Ave, Suite 811
Memphis TN 38103

Wendy S. Tien, Esq.
US Dpt. of Justice, Civil Dvn
P.O. 875, Ben Franklin Station
Washington, DC 20004-0875

Keith E. Dobbins
US Dpt. of Justice, Civil Division
601 D Street, NW, Room 6613
Washington, DC 20004-0875

Greg Bongiovanni
Office of the General Counsel
Dept. of Health & Human Svs
Suite 5M60 AFC
61 Forsyth St., SW
Atlanta, GA 30303-8909

Bankruptcy Administration
IOS Capital, LLC
1738 Bass Road
PO Box 13708
Macon GA 31208-3708

U.S. Bank N.A.
c/o Michael R. Stewart
Faegre & Benson, LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3901

Lang-Nelson Associates
c/o William I. Kampf
220 South Sixth Street, #1800
Minneapolis, MN 55402

Additional names for Intrepid II list

Keybank N.A.
127 Public Square
Cleveland OH 44114

Garamella Family Ltd. Ptnsp
236 Oakwood Road
Interlachen Park
Hopkins MN 55343

David J. Fischer
Wildman, Harrold, Allen & Dixon
225 West Wacker Drive
Suite 3000
Chicago, IL 60606-1229

Bank One
c/o Sandra Lander
400 Murray Street
Alexandria LA 71301

Mpls Comm Dev Agency
105 – 5th Ave S
Minneapolis MN 55401

Affordable Housing Project
c/o Fed Home Loan Bank
907 Walnut St
Des Moines IA 50309

MHFA
ATTN: William Kuretsky
400 Sibley St, Suite 300
St Paul MN 55101

Neil Herskowitz
Riverside Contracting LLC
PO Box 626
Planetarium Station
New York, NY 10024-0540

*CapitalSource Finance LLC
c/o Steven Kluz, Sr., Esq.
Rider Bennett, LLP
333 South Seventh Street,
Minneapolis, MN 55402

CapitalSource Finance LLC
c/o Kenneth J. Ottaviano, Esq.
Katten Muchin Zavis Rosenman
525 West Monroe Street, #1600
Chicago, IL 60661

Healthcare Business Credit Corp.
c/o Steven Meyer, David Galle
Oppenheimer Wolff & Donnelly
3300 Plaza VII
45 South Seventh Street
Minneapolis, MN 55402

Healthcare Business Credit Corp.
c/o Michelle A. Mendez
Greenberg Traurig LLP
600 Three Galleria Tower
13155 Noel Road
Dallas, TX 75240

CenturyTel, Inc.
c/o Rex D. Rainach
3622 Government Street
Baton Rouge, LA 70806-5720

Gary L. Hacker, Esq.
Whitten & Young, P.C.
Bank of America Tower, Suite 1402
500 Chestnut Street
Abilene, TX 79602

Service List: Intrepid II (Doc. No. 2964710)

Neil Medical Group
c/o Nikole B. Mariencheck, Esq.
Smith, Anderson, et al.
P.O. Box 2611
2500 Wachovia Capitol Ctr (27601)
Raleigh, NC 27602-2611

State of Maryland, Dpt of Labor,
Licensing and Regulation
Off. Of Unemp. Ins. Contrib. Div.
Litigation and Prosecution Unit
1100 North Eutaw Street, Room 401
Baltimore, MD 21201

New Options Founders
c/o Adam M. Spence
105 W. Chesapeake Ave, Suite 400
Towson, MD 21204

Oracle Corporation
c/o Alan Horowitz
Buchalter, Nemer, Fields & Younger
18400 Von Karman Ave, Suite 800
Irvine, CA 92612

Bizrocket.com, Inc.
c/o Jeremy D. Friedman
Downs & Associates
255 University Drive
Coral Gables, FL 33134

Healthcare Assoc. of Walterboro
c/o H. Flynn Griffin, III
Anderson & Associates, P.A.
PO Box 76
Columbia SC 29202

The Hays Group
c/o Steven Scott, Esq.
Scott Law Firm, PLC
Suite 400
3300 Edinborough Way
Edina, MN 55435

Nueces County
c/o Diane W. Sanders
Linebarger Goggan Blair & Sampson
1949 South IH 35 (78741)
PO Box 17428
Austin, TX 78760-7428

Bexar County
c/o David G. Aelvoet
Linebarger Goggan Blair & Sampson
Travis Building, 711 Navarro, Ste 300
San Antonio, TX 78205

G-Fore Associates LLC
c/o Bradford A. Steiner
Jason S. Kelley
Steiner Norris PLLC Bradford
2320 Second Ave., Suite 2000
Seattle, WA 98121

Les Nelson Investments
c/o Mark E. Fosse
Dunlap & Seeger, P.A.
206 South Broadway, Suite 505
PO Box 549
Rochester, MN 55903

Aberfeldy II Limited Partnership
c/o J. David Leamon
Munsch Hardt Kopf & Harr
4000 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2790

IBM Corporation
Attn: Beverly H. Shideler
Two Lincoln Centre
Oakbrook Terrace, IL 60181

Richard D. Anderson, Esq.
Briggs and Morgan, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

Woodmen Office Land Associates
Huntington C. Brown
US Bank Tower
950 Seventeenth Street, Suite 1700
Denver, CO 80202

TN Dept. Labor and Workforce
Development—Unemployment Ins.
c/o Marie Antoinette Joiner
TN Atty General's Office, Bky Div.
PO Box 20207
Nashville, TN 37202-0207

Atty for MO Dept. of Revenue
MO Dept. of Revenue, Bky Unit
ATTN: Steven Ginther
PO Box 475
Jefferson City MO 65105-0475

Alberfeldy II Limited Partnership
c/o David E. Runck, Esq.
Oppenheimer Wolff & Donnelly
Plaza VII, Suite 3300
45 South Seventh Street
Minneapolis, MN 55402

Maureen M. Cafferkey
Office of the Solicitor
US Dept. of Labor
1240 East Ninth Street, Room 881
Cleveland, Ohio 44199

Atty for Poturalski, Hawley et al
Larry Ricke, Esq.
Leonard Street & Deinard
150 S. 5th Street, Suite 2300
Minneapolis MN 55402

Atty for GA Dept. of Comm. Health
Oscar Fears, III
40 Capitol Square SW
Atlanta GA 30334

Susan D. Profant, CFCA, CLA.
c/o Ken Burton Jr., Manatee County Tax
Collector
PO Box 25300
Bradenton, FL 34206-5300

State of WA, Tax Agencies
c/o Catherine F. Ries
Assistant Atty General of WA
900 Fourth Ave, Suite 2000
Seattle WA 98164-1012

Atty for Texas Comptroller etc.
Kay D. Brock and Jay W. Hurst
Office of Texas Attorney General
Bankruptcy & Collections Div.
PO Box 12548
Austin TX 78711-2548

Atty for Secretary of Labor
Phyllis B. Dolinko & Eileen Hurley
Counsel for ERISA, Office of the Solicitor
US Department of Labor
230 S Dearborn, Suite 844
Chicago IL 60604

*served via facsimile and e-mail

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Case No. 04-40416-NCD

Case No. 04-40462-NCD

Case No. 04-40418-NCD

Debtors

Case Nos. 04-41924 – 04-41988-NCD

**ORDER GRANTING EXPEDITED HEARING AND AUTHORIZING DEBTOR INTREPID
USA, INC. TO ENTER INTO INSURANCE CONTRACTS AND INSURANCE
PREMIUM FINANCE AGREEMENT**

The hearing on motion of Intrepid U.S.A., Inc. and its affiliated entities in the cases referenced above (the “Debtors”) for an order authorizing them to enter into insurance contracts providing for general commercial liability, professional liability, umbrella, automobile, property, and crime coverages, and insurance premium finance agreement came before the undersigned on September 30, 2004. Appearances, if any, are noted in the record.

Based on the motion, the arguments of counsel, all the files, records and proceedings herein, the Court being fully advised in the premises, and the Court’s Findings of Fact and Conclusions of Law, if any, having been stated orally and recorded in open court following the close of evidence,

IT IS HEREBY ORDERED:

1. Debtors’ Motion for expedited hearing is granted.
2. Debtors are authorized, but not required, to enter into the insurance contracts on substantially the terms described in the Motion.
3. Debtors are authorized, but not required, to enter into the insurance premium finance agreement on substantially the terms described in the Motion and Debtors are authorized to grant the insurance premium financing company a lien on the financed premium payments pursuant to 11 U.S.C. § 364(c)(2).

4. Debtors are authorized to take all actions necessary and appropriate to execute and deliver the insurance contracts and insurance premium finance agreement, and to perform under the terms of these agreements, including making all payments due under these agreements.

Dated: September ___, 2004

The Honorable Nancy C. Dreher
United States Bankruptcy Judge

#3021606\1